REPORT OF THE ADMINISTRATOR OF THE FARM SECURITY ADMINISTRATION

1939

UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON : 1939

For sale by the Superintendent of Documents
Washington, D. C.
Price 5 cents

LETTER OF TRANSMITTAL

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION

WASHINGTON, D. C., *October 1, 1939.*

HON. HENRY A. WALLACE,
Secretary of Agriculture.

DEAR MR. SECRETARY:

I transmit herewith a report of the work of the Farm Security Administration for the fiscal year ended June 30, 1939.

Sincerely yours,

WILL W. ALEXANDER,
Administrator.

CONTENTS

REPORT OF THE ADMINISTRATOR OF THE FARM SECURITY ADMINISTRATION 1939

INTRODUCTION

The job of the Department of Agriculture is to help farmers meet problems they cannot handle alone. As new problems have arisen with the growth of American agriculture, new agencies have been set up in the Department to meet them.

When, as a result of the depression, more than a million farm families were put on the relief rolls, the very poverty and insecurity of nearly one-third of America's farmers created a new and urgent national problem. To deal with this problem, the Farm Security Administration was created.

The purpose of the Administration is to help needy farm families to become permanently self-supporting. Since 1935 it has extended financial aid to more than 1,231,000 farm families, many of which had once been on relief. It is now helping more than 589,000 families to plan and finance their farming operations.

The help offered by the Administration takes many different forms, because it is intended to overcome a wide variety of difficulties. A family may be in trouble because of poor land, bad management, drought, ill-health, an overload of debt, ignorance of sound farming methods, inability to secure credit, or many other handicaps. The Administration helps each family to find the answer to its individual problems; and if necessary it loans the family the money needed to solve them.

The work of the Farm Security Administration is carried on under three general divisions, which represent the immediate, the long-term, and the experimental programs of the agency. They are as follows:

1. Rehabilitation: Needy farm families, which cannot get adequate credit anywhere else, are provided with small loans to enable

them to make a living from the land. Every loan is accompanied by advice in planning a sound system of farm management. Rehabilitation borrowers also are helped to negotiate voluntary debt adjustments with their creditors; and to form cooperatives to provide necessary equipment and services, such as group medical care, which no single family could afford alone. In cases of extreme distress, usually in drought and flood areas, small grants are made to tide farmers over until they can make a crop.

2. Tenant purchase program: A limited number of tenants, sharecroppers, and farm laborers are provided with loans to enable them to buy farms of their own. This program, authorized by the Bankhead-Jones Farm Tenant Act, is intended to check the alarming increase in farm tenancy, and to preserve the traditional American institution of the family-sized farm.

3. Homesteads projects: The Farm Security Administration is completing and managing 161 projects of many different types started by the Resettlement Administration and other earlier agencies. This is primarily an experimental program, intended to develop better methods of economic organization in agriculture.

Developments in these three programs during the year are described in the following pages.

REHABILITATION

The rehabilitation program is the biggest job of the Farm Security Administration and reaches more people than any other of its activities. It grew out of the early efforts of the Federal Government and the State emergency relief administrations to help farm families to help themselves, rather than to leave them dependent indefinitely on direct relief.

Today it is carried on by Farm Security Administration county supervisors, operating in nearly all of the Nation's agricultural counties. These men are practical, experienced dirt farmers, most of whom have been trained in the agricultural colleges of their own States.

A needy farm family is eligible for help under the rehabilitation program only when (1) it cannot get adequate financing from any other source, (2) it is recommended as honest and hard working by substantial citizens in its own county, and (3) it owns or is able to rent a farm which can produce a living.

PLANNING BETTER FARM AND HOME MANAGEMENT

When such a family comes to a Farm Security Administration county supervisor for help, the first step is to find the cause of its troubles, and the second is to work out a farm- and home-management

plan that will overcome these difficulties and enable the family to get back on its feet.

In making such a plan, the farmer sits down with the county supervisor and goes over his situation in detail—how big his farm is; how fertile; how much equipment he has; how much livestock; how much debt; what cash crops and feed crops he has planted in the past; how many acres he has in garden and food crops. These facts are checked by visits to the farm.

Then the family and the supervisor decide what changes can be made to increase the family's income and get it back on a self-supporting basis.

The farmer's wife and an Administration home management specialist usually work out a similar plan for the home, planning better and thriftier ways of providing a good diet and decent clothes and closer supervision over the expenditure of the family income.

Whenever possible, the plan for a tenant family calls for a long-term written lease to guarantee stability. It also calls for enough equipment to get the most out of that farm; the growing of as much food and feed as possible at home; a variety of cash crops; and contouring, rotations, and other soil-conserving practices. Often the plan provides for a variety of small improvements to round out a program of sound farming—new shelves in the pantry to accommodate the increase in canned foods, a trench silo in which to store feed, a pressure cooker, or a new stove, the planting of an orchard, or repairs to the home.

The farmer and his wife keep a record book, in which they enter from week to week their income, expenditures, and additions to their wealth not strictly accountable in cash, such as storage of canned and dried foods.

These record books can be checked with the farm plan throughout the year. A well-kept record book becomes a valuable auxiliary to the farm plan, indicating where more effort is needed and showing evidence of progress. At the end of the year, it becomes a basis on which the next year's farming can be planned. Gradually, in this way, the planning becomes a continuous process, which can be carried on profitably by the farmer and his wife long after they are back on their feet and beyond the concern of the Administration.

LEARNING NEW METHODS

Periodically—every few weeks or as often as he can get around—the county supervisor visits the family to check up on its progress and offer any help he can.

Often, when several farmers in a neighborhood are learning the same things, group meetings help a number of neighbors to learn

a new method together. Demonstrations of how to construct and fill a trench silo, how to can beef, how to make a mattress, how to plan a balanced diet, and so on, have been held throughout the country for Farm Security borrowers.

This common-sense education and planning is the very heart of the rehabilitation program. Most of these borrowers had failed in the past simply because they did not know how to farm efficiently. Guidance in good farming methods is the best guarantee that they will not fail again; and at the same time it is the best protection for the Government's investment in these families.

FINANCING BETTER FARMING

This investment, usually represented by a $300 to $400 rehabilitation loan, is made to enable the farmer to carry out his improved farm plans.

The loan is just large enough for the purchase of the things that the farmer needs to make a living—a horse or a mule, a plow, seed, fertilizer, a pressure cooker for canning, a few pigs, and chickens. Sometimes it includes a small sum for food and livestock feed to carry the family until the first harvest.

The size of these loans naturally varies with the type of agriculture in each area. During the past year loans to standard rehabilitation borrowers averaged $397 each.

The loans draw 5-percent interest. Amounts loaned for things used up in 1 year, such as feed and fertilizer, are due at the end of the harvest season. Amounts loaned for equipment, work stock, and other durable goods are paid back over a period of 5 to 10 years.

EMERGENCY LOANS AND GRANTS

In areas stricken by drought, flood, or hurricane, and in other emergencies, farmers often need small loans quickly to save their crops or provide food for their families and feed for their livestock. In such cases, the Administration provides limited sums immediately, without taking time to draw up a farm- and home-management plan. Later on, emergency borrowers may apply for standard loans, and farm-management plans are worked out to provide for the repayment of the entire indebtedness.

During the past year such loans were limited, generally, to drought and flood areas where it was not possible to make standard rehabilitation loans. Original emergency loans were made in the amount of $1,448,938; supplemental loans totaled $1,392,321.

There is another group of destitute farmers who could not wisely be given rehabilitation loans, even if money were available. Thou-

sands of families living in drought areas have not received loans, because their land did not contain enough subsoil moisture to justify planting a crop. A large number of families have migrated from the dust bowl area to the Northwest and Pacific Coast States. Many of these are earning a scanty hand-to-mouth living as farm laborers, while others have settled on acreages too small or too barren to support a family. It obviously would be both a waste of the Government's money and an injustice to the borrower to attempt rehabilitation on such submarginal land where failure is virtually certain.

Under such circumstances, therefore, the Administration has temporarily made subsistence grants, averaging about $20 per month per family, rather than rehabilitation loans. During the past year the total cash grant disbursement to individual families amounted to about $22,758,444.

Every effort is made to reduce the grant load by helping these families to find means of producing an income. The average family receives grants only for about 4 months. There is little prospect, however, that the grant program can be entirely eliminated within the near future.

Grants have also been used occasionally, outside of the emergency areas, to supplement standard rehabilitation loans. Sometimes, in working out a sound farm plan for a needy family, the supervisor finds that the family needs more food and clothing than can be financed with any reasonable expectation of repayment after making provision for operation of the farm.

That kind of a case leaves three alternatives: (1) To refuse the request for the loan and let the applicant fall back on direct relief of one kind or another; (2) to make the loan, realizing that some of it cannot be repaid; or (3) to help the farmer get a new start by means of a loan for the necessary equipment, plus a small grant for food supplies, livestock feed, and other emergency subsistence needs.

Under such circumstances, the Administration has chosen the third course, believing that in the long run it is cheaper for the Government and much better for the borrower.

TENURE IMPROVEMENT

Many of the farmers who came to the Administration for aid were cultivating farms too small or too poor to support a family. These farmers were helped to find and lease more or better land. About one-sixth of all borrowers have been helped to find bigger or better farms, as a necessary step in their rehabilitation.

Once it is located on a good farm, the family is helped to stay there for a long period, so it can save the cost of frequent moving, and build up the land and farm buildings from year to year.

During the past year, the Administration has insisted that tenants receiving aid have written leases, rather than vague oral agreements with the landlord. A carefully prepared flexible lease form is offered as a basis for agreement.

Experience has shown that a written lease is a valuable protection for both landlord and tenant. If the farmer and landowner merely make an oral agreement, many disagreements are likely to arise later over such questions as the responsibility for replacing a corncrib blown over in a storm, or rescreening the house, or liming the land. Most disputes and much unnecessary moving arise from misunderstandings over just such points.

A written lease also eliminates some of the fear of having to move which, by discouraging long-term planning, is a greater evil than moving itself. It gets over this difficulty by providing that the lease shall continue in effect for several years, or shall not be terminated by either party without written notice to the other several months in advance.

The flexible lease also encourages the tenant to make lasting improvements on the farm, through an optional clause providing that if he is required to move before he has obtained full use of a permanent improvement he shall be paid for its unexhausted value on a basis set forth in the lease.

Approximately 7 out of every 10 Farm Security borrowers are tenants. Of these tenants, one-sixth have been helped to advance from sharecropper to tenant status under the rehabilitation program. More than four-fifths have obtained written leases, and one-fourth have written leases which run for more than 1 year, or are automatically renewable. In most areas the great majority had formerly operated under oral agreements.

FARM-DEBT ADJUSTMENT

Many farmers needing help from the Administration are already loaded with debt beyond their ability to pay. Consequently, voluntary adjustment of these debts is an important step in their rehabilitation.

Through friendly negotiation, 101,133 farmers have reached agreements with their creditors for scaling down debts totaling $328,571,273. Adjustments have totaled $79,179,031, or about 25 percent. In many instances in which the total debt was not reduced, terms and interest rates have been revised.

Such adjustments have helped many farm families to escape foreclosure and have enabled creditors to collect something on what would otherwise have been a hopelessly bad debt. As a direct result of such adjustments, farmers have paid more than $4,650,000 in back taxes to local governmental agencies.

Farm-debt negotiations are carried on by voluntary committees of local citizens, appointed by the Farm Security Administration. The Administration merely acted as an intermediary in organizing the local committee, and in bringing farmer and creditor together in an atmosphere of mutual friendliness.

This service has not been confined to rehabilitation borrowers, but has aided many farmers who required no further help from the Administration.

GROUP-DEBT ADJUSTMENT

A group-debt-adjustment program also has been set up to help farm community organizations, such as drainage or irrigation districts, which are overburdened with debt. This work has required more active participation by State and regional farm-debt-adjustment representatives than in individual debt cases, because the technical and legal difficulties in adjusting a bond structure are so much greater than those met in adjusting personal debts.

During the period from September 1, 1935, to June 30, 1939, 80 group cases were adjusted, in which the total indebtedness originally was $16,709,221. These debts were reduced to $5,218,949, a reduction of $11,490,272. These adjustments directly benefited 10,996 farmers.

During the past year, 30 group-debt-adjustment cases were settled, with a reduction of $6,256,829 from a prior debt of $8,231,788. These adjustments directly benefited 3,736 farmers.

The success of the program has been largely due to the cooperation of such creditors as banks, insurance companies, and professional men and merchants, who realize that their own interests, as well as the farmers', are best served by sensible, voluntary adjustment of debts.

COMMUNITY SERVICES

The community-service and cooperative-loan program is a simple adaptation of the rehabilitation loan to a group or a community. Usually, it has been used to meet a specific need which has become obvious in a community or among a neighborhood group of low-income farmers. In some areas, however, it is developing toward community planning, with loans based upon a broad survey of needs, similar to that in the farm and home plans of individuals.

When several rehabilitation borrowers living in one community need a piece of heavy machinery, or a purebred sire, or other service which no one of them can afford alone, the Administration often makes them a special community-service loan to finance the purchase.

The importance of this program is emphasized by recent developments in American agriculture. The increased use of modern machin-

ery, good livestock, and expert management is resulting in the growth of huge "outdoor food factories," often owned by corporations, which can produce more efficiently than small farmers using hand labor or obsolete tools and methods. In some areas the small farmers are losing out, for lack of equipment which no one small farm can support. But when a group of small farmers get together to buy and use modern machinery and purebred sires, they usually are able to compete on more even terms with the large-scale commercial farms.

The purchase of such equipment for community use is generally arranged in one of two ways—whichever the community prefers. Either the farmers form an association to buy and handle the new service, borrowing individually to contribute to the purchase price; or one farmer can borrow the money, and all the others sign an agreement to use the service at a stipulated price, which will enable the master borrower to repay the loan.

During the past year, 72 different types of services have been established through such community and cooperative loans. Of the 4,333 services established during the year, 32 percent were for sire services, 43.8 percent were for machinery and equipment services, 20 percent were for miscellaneous services, such as home equipment, storage facilities, sirup mills, grist mills, hatcheries, etc., 2.4 percent were for participation loans in grain-marketing associations, and 1.8 percent were for the establishment of medical services. These loans involved approximately $3,054,000 and are serving 107,059 families. In addition, 1,134 services benefiting 5,700 families, were established without the use of Farm Security funds, through advice and help of Administration employees.

Three developments of the year are being watched with particular interest.

One has been strictly technical. The increasing demand for livestock sire services has led to the establishment of a number of breeding cooperatives using methods of artificial insemination. These may prove important as a means of enabling owners of small herds to improve their livestock through use of the best available sires in a wide area. While the present units provide only bull services and have been confined largely to densely populated dairy areas, a number may be set up eventually for other kinds of livestock.

Another development has extended cooperation beyond the confines of a neighborhood, by setting up livestock replacement services on a State-wide basis. Experience has shown that rehabilitation borrowers, operating with little capital, may be bankrupted if the death of a work animal requires a heavy cash outlay not provided for in the year's farm plan. During the past 2 years, a State-wide livestock replacement insurance service has been operating in Mississippi under Administration sponsorship. This service insures work stock of

Administration borrowers at an appraised value, with a premium charge on this valuation varying from 4 to 5 percent. The indemnity paid for any disability or death loss ranges from 75 to 85 percent of the appraised valuation. Similar programs were started in Louisiana and Arkansas during the year.

A third development has been toward more complete organization of cooperative services to meet the heavy equipment needs of an entire locality. For example, in Box Elder County, Utah, 205 such cooperatives have been established to serve a large share of all farmers in the county. These developments, which have occurred rather spontaneously, are being watched with special care. They may point the way toward a better approach to full community effort in the future.

MEDICAL CARE FOR NEEDY FARM FAMILIES

Many farmers had failed and been forced to seek help from the Administration, simply because they or their families were in bad health. Moreover, it was plain that these people had no chance to get back on their feet until they were well enough to do a good day's work.

An investigation of a number of rehabilitation borrowers who failed to meet their loan payments on schedule disclosed that nearly half of them were suffering from malaria, hernia, abscessed teeth, or some other serious illness. Often they had never been able to afford proper medical care, and in other cases they defaulted on their loan payments because they had used what little money they had to meet urgent medical bills.

Simply as a matter of good business, in order to protect its investment in rehabilitation borrowers, the Administration was forced to start a program of medical care for needy farm families, in cooperation with local medical societies.

Group-medical care plans vary widely, to meet preferences of doctors and borrower families in each locality. In every case a general scheme of operations is worked out in cooperation with the State medical association and is embodied in a written agreement. Details of operation are then worked out with the local physicians in each county.

The agreements with the county societies recognize the three basic principles of the medical program: (1) The fees are based on the ability of the rehabilitation families to pay; (2) there is free choice of participating physicians; and (3) funds are set aside in the hands of a bonded trustee at the beginning of the operating period.

Under the plan in most general use, each cooperating family in the county pays in at the beginning of the year a certain amount, varying with the size of the family; usually $2 per month for a

family of two, with small additional sums for each child. These funds are turned over to a trustee, who sets aside a twelfth of the total for paying bills each month.

The families choose any doctor they wish from among local cooperating physicians and call on him when they need medical attention. At the end of the month, each doctor turns in his bill for services rendered. All bills are examined by a committee of the local medical society to see that they are fair and then are turned over to the trustee. If that month's allotment of funds is more than enough to pay all the bills, they are paid and the balance is carried forward to the next month; if not, each bill is reduced proportionately, and each doctor receives his pro rata share of the allotment. Money carried forward from months in which there is an excess is generally used to make up deficiencies in other months.

The medical benefits covered in the plan usually include (1) ordinary medical care, including examination, diagnosis, and treatment in the home or in the office of the physician; (2) emergency surgery necessary to save the life or limb of the patient, as determined by the physician in charge; (3) emergency hospitalization recommended by the attending physician; (4) obstetrics, including prenatal, delivery, and postnatal care; (5) ordinary drugs dispensed or prescribed by attending physician; and (6) dentistry prescribed by the attending physician and believed necessary to relieve acute systemic diseases or to relieve pain. Where drug, hospital, and dental services are included, certain portions of the trust fund usually are set aside to pay for them in advance.

At first there was some fear that this plan would not work, on the theory that if a family could call a doctor at any time without additional cost, people would abuse the privilege and call a doctor every time they cut a finger. In practice, however, abuses have been rare, and families taking part have asked only normal and necessary medical attention.

The plan has several advantages. Since it has paid in advance, a family has no reason to wait until an illness becomes critical to call a doctor; the plan encourages preventive care. No reluctance because of a previous unpaid bill stops the family from calling the doctor when needed. The plan also serves as a sort of voluntary insurance against the bankruptcy which might result from serious or emergency illness in any one family. Finally, the doctors receive prompt, if not always full pay, for services to families which in the past have often been able to pay little, if anything.

Farm Security borrowers desiring to take part in such plans, who are unable to raise the money at the first of the year, are loaned the necessary funds. The Administration has found that such loans

benefit it almost as much as the farmer, since a family in good health is a much better credit risk—not only for the medical loan, but for its ordinary rehabilitation loan as well.

As of June 30, county or district plans for medical care were operating in 23 counties in Alabama, 68 in Arkansas, 2 in Colorado, 5 in Florida, 108 in Georgia, 5 in Indiana, 2 in Idaho, 5 in Iowa, 25 in Kansas, 7 in Louisiana, 41 in Mississippi, 12 in Missouri, 1 in New Jersey, 7 in New Mexico, 10 in North Carolina, 11 in Ohio, 12 in Oklahoma, 17 in South Carolina, 69 in South Dakota, 7 in Tennessee, 18 in Texas, 1 in Utah, and 8 in Virginia. The swift expansion of the program during the last 2 years is indicated by the increase in the number of county plans operating in Georgia, where only 5 counties participated in 1937–38, whereas 108 counties took part during the past fiscal year.

Agreements with the State medical associations, prior to approaching county medical societies, have been reached in Wisconsin, Wyoming, Kentucky, Pennsylvania, New Hampshire, and West Virginia.

WATER FACILITIES FOR DROUGHT AREAS

Under the water-facilities program three agencies within the Department have pooled their skill and resources to help certain farm communities better themselves.

The most important feature of this program is that its machinery—plans to guide community effort toward better use of land, loans to help individuals take fuller advantage of water resources, and close cooperation among Federal agencies—has been set up so that experience in its administration will serve as a guide to future efforts to meet similar problems in other areas.

These elements in the program make it of especial interest, despite the small number of people so far involved. At present, the program is an important aid in the rehabilitation of more than 300 families in the Western States.

In many cases successful rehabilitation of needy farm families, in an area of low rainfall, depends on the better use of land and water resources.

Consequently, under specific authorization by Congress, the Bureau of Agricultural Economics, the Soil Conservation Service, and the Farm Security Administration have aided in the development of a small water-facilities program for the benefit of low-income farm families in the arid and semi-arid areas of the 17 Western States.

The program provides Federal assistance to establish and maintain such water facilities as ponds, reservoirs, wells, pump installations, spring developments, water-storage tanks, and facilities for recharging underground reservoirs. It is expected that more than

90 percent of the water facilities installed under this program will cost less than $2,000 each.

The part played by the Administration in this cooperative program is to provide farm- and home-management plans, and to make and collect loans. Loans are made only to low-income farm owners and tenants, or to groups of farmers who are eligible for loans under the community and cooperative services program. Water-facility loans to individuals are frequently supplemented by rehabilitation loans to help the family adapt its farming to its new opportunity, as for instance by purchase of livestock for increased pasture.

Interest is charged on the loans at 3-percent. The repayment period may extend for the life of the structure, but in no instance for more than 20 years.

During the past year 330 water-facilities loans, involving a total of approximately $184,315, were made to individual farmers.

Plans for improvement and extension of the program were given serious study during the year.

PROGRESS UNDER THE REHABILITATION PROGRAM

A survey at the end of the 1938 crop year indicated that throughout the country, except in areas suffering from drought and other natural catastrophes, standard rehabilitation borrowers have increased their home food production, working equipment, living standards, and total net worth.

A total of 232,947 families, including 1,186,302 persons, were studied. The facts brought to light graphically illustrate some of the methods and results of the program.

Many of the families who applied for loans were cultivating acreages too small to support a sound farm enterprise. These families were helped to find additional land or larger farms. The average number of acres in cultivation on farms operated by borrowers at the time of acceptance on the rehabilitation program was 70; at the close of the 1938 crop year it was 131.

An indication of the change in operating methods and equipment which accompanies acceptance on the rehabilitation program is indicated by the experience of borrowers who had been on the program only 1 year. These 63,000 borrowers owned only 77,710 work animals at the time they received loans, but by the end of the 1938 crop year they owned 137,710 work animals, an average increase of nearly 1 per farm, or more than 75 percent.

The average number of subsistence cattle owned before these borrowers began to participate in the program was 2.2; at the end of 1938 the average was 3.9. Moreover, the borrowers doubled their ownership of poultry and hogs.

To support this increase in livestock production, first-year borrowers increased their acreages in feed and forage from 1,862,740 to 2,705,520.

Better farm- and home-management had produced a marked improvement in the standard of living of the 233,000 borrowers studied. The average production of milk per family increased from 99 to 465 gallons per year. The average amount of meat produced for home consumption rose from 85 to 377 pounds annually. Production of eggs for home consumption was almost four times as large.

Families participating in the program also planted gardens to supply the home kitchens. Between peak labor periods in the fields, they canned and preserved enough foods to carry them through the winter. After joining the program, the quantity of fruits and vegetables canned and stored increased from 51 to 221 quarts per year for each family.

The rise in the standard of living went hand in hand with an increase in the net worth of borrowers. The decrease in cash outlay for food resulted in larger expenditures for more lasting improvements. The net worth of these 233,000 families—that is, the value of furniture, clothing, supplies, livestock, and equipment, minus all debts—increased $269 per family since they received loans. This meant an addition of $62,773,173 to the wealth of their communities by this group alone.

Between December 31, 1937, and December 31, 1938, these 233,000 families increased their average net worth from $833 to $975, an increase of $142, or 17 percent.

The results of the rehabilitation program cannot be measured in dollars alone. For instance, 186,619 children in this group of families increased their school attendance as a direct result of the rehabilitation program.

Before receiving Administration loans, only 37 percent of the first-year borrowers had written leases. At the end of 1938, 39,216 or 85 percent of first-year tenant clients had them. In other words, 48 percent of the first-year borrowers changed from verbal to written leases. Moreover, during the same period 19 percent of these farmers obtained longer term leases than before. In 1937 about 3,400 of the first-year borrowers had advanced from sharecropper to tenant status; 18,161 did so in 1938. Altogether, 26,800 borrowers advanced from sharecropper to tenant status between December 31, 1937, and December 31, 1938.

COLLECTIONS ON REHABILITATION LOANS

The progress of these borrowers is reflected in collections during the past year.

At the end of the fiscal year the number of Administration rehabilitation active loan cases totaled 589,046. The total amount outstanding on loans to individuals was $280,837,769, of which $44,183,032 was loaned from funds of the State rehabilitation corporations.

Although much of the money advanced had not yet fallen due, the Administration had collected $83,305,353 on the principal of loans from emergency funds, of which $33,399,553 was collected during the last year. In addition, $20,217,872 has been collected on principal of loans from funds of State rehabilitation corporations.

The percentage of Administration loan maturities collected ranged from 50.5 percent in the drought States of Kansas, Nebraska, North Dakota, and South Dakota, to 82.8 percent in Michigan, Minnesota, and Wisconsin. Approximately 99,000 families had paid back their loans in full by July 1, 1939. Many borrowers not only had paid all their installments on time but also had made substantial payments in advance. In Maine, for example, 24.3 percent of the unmatured loans had been paid in advance.

The amount collected has been influenced not only by agricultural conditions, but also by the policies of the Administration, which has tried to make rehabilitation the primary objective. First consideration has been given to the welfare of the borrower; collections have not been demanded on the due date, when forced payment would have destroyed the farmer's chance to get back on his feet.

Despite the fact that none of the borrowers was considered a safe commercial risk, it has been conservatively estimated that approximately 80 percent of the money loaned will be eventually returned to the Federal Treasury, except in those areas which have suffered from prolonged drought. Total losses will be a very small fraction of the sum it would have cost to support these families on relief.

TENANT-PURCHASE PROGRAM

The tenant-purchase program, authorized by Congress in 1937, deals directly with the problem of farm tenure, and indirectly with the problems of farm citizenship. Its immediate goal is ownership of family-sized farms by their operators. Its indirect result is to promote good citizenship by giving thousands of deserving families "a stake in the country"—a new feeling of responsibility, self-respect, security, and concern with the affairs of their communities.

This program might well be regarded as rehabilitation carried one step further. It encourages rehabilitation borrowers to make good, by holding out the possibility of farm ownership as an ultimate goal. Moreover, the methods which were developed for the rehabilitation program—notably the system of sound planning and record keeping—have been carried over to the tenant-purchase program with notable success.

The chief differences between the tenant-purchase program and rehabilitation are: (1) The idea of making loans for equipment is extended to include the farm itself, as the most important item of equipment needed for security; (2) because the loans are larger, the qualifications for borrowers are more exacting; and (3) since the tenant-purchase borrower has permanent possession of his farm, he can plan long-range improvements which are not possible for the renter who may have to move within a year or two.

DISTRIBUTION OF FUNDS

As authorized by the Bankhead-Jones Farm Tenant Act, $25,000,000 was appropriated for the tenant-purchase loan program during the fiscal year 1939. Of this amount, $1,250,000, or 5 percent, was allocated for administrative expenses, and the remaining $23,750,000 was apportioned among the States and Territories on the basis of farm population and prevalence of tenancy. (Including unencumbered balances of the previous year, the total amount allotted for loans was $24,320,000.)

These loans were made in 732 counties designated by the Secretary of Agriculture on the recommendation of State farm security advisory committees. In selecting counties, these committees were guided by such factors as farm population, prevalence of tenancy, and availability of satisfactory farms at reasonable prices. The counties designated are relatively more numerous in the Southern States, where the tenancy problem is most acute.

The widespread demand for tenant-purchase loans is indicated by the fact that 109,912 applications were received during the year. This number, together with 36,178 applications held over from the previous year, made 146,090 applications on hand. This meant an average of 34 potential borrowers for each loan made during the year. In the 14 Southern States, the number of Negro applicants was five times that of last year. Out of the total of 92,850 applications in these States, 27 percent, or 25,244, were from Negroes.

SELECTION OF BORROWERS

In accordance with the provisions of the act, applicants for loans were approved by county committees consisting of three local farmers. These committees took into account the applicant's character, reputation for paying debts, ability to operate a farm, and inability to obtain adequate credit from any other source. The general character, ability, and experience of tenant-purchase borrowers are high and will go far toward assuring their success.

Of 4,340 loans approved during the year, 722 were made to Negro farmers in 14 Southern States. Loans to Negroes in those States amounted to only 23 percent of the total number made, however,

while the number of Negro tenant farmers was 35 percent of the total number of tenant farmers.

Each farm approved for purchase by a selected family was appraised and certified by the county committee. Technical appraisal reports by trained Government appraisers were available to county committees, and nearly all of the farms were purchased within the appraised values. A special study of the methods used in appraising farms for the tenant-purchase program was made and certain modifications were decided on. In the future, a determination of the earning capacity of the farm will replace the older method of valuing land and buildings on the basis of prevailing market values. In other words, the prospective earning power must be sufficient to support the investment.

Each loan was supported by a farm- and home-management plan developed by the borrower with the assistance of the local farm- and home-management supervisors. In accordance with the terms of the act, each loan is secured by a first mortgage on the property including land and improvements. Insurance representing the full replacement value is carried on all buildings.

REPAYMENT BASED ON EARNINGS

Under the terms of the Bankhead-Jones Farm Tenant Act borrowers may repay their loans under a variable payment plan, which means that in years of above-normal income the borrower will be expected to pay more, and in years of below-normal income he will pay less than the annual installment under the fixed repayment plan, which is amortized at 4.326 percent per annum.

This is the first recognition in national farm-loan legislation of the variability of farm income, because of factors beyond the farmers' control. The variable payment plan is based on the borrower's ability to pay, and the payment due in any given year is determined by the net income for that year, as indicated by accurately kept farm accounts. The response to the variable payment plan has been good, and it is expected that a majority of borrowers will take advantage of the protection it provides.

PROGRESS UNDER THE TENANT-PURCHASE PROGRAM

A total of $33,339,684 in loans (which includes State rural rehabilitation corporation trust funds amounting to $362,101) was approved in the first 2 years of the program. Because many borrowers did not take possession of their farms until late in the 1938 crop year, however, the payments due as of January 1, 1939, amounted to only $99,853. As compared with these maturities, $150,314 had been paid as of July 25, 1939.

Total repayments, therefore, were 152 percent of maturities. In a few cases maturities were not liquidated in full, but payments on actual maturities amounted to $92,050, or 92 percent of the total amount due.

Each farm bought with a tenant purchase loan is visited by an Administration construction engineer, who, together with the county and home supervisors, advises the borrower on plans for the repairs and improvements necessary for decent living and successful operation of the farm. It has been necessary to construct new dwellings or to repair old dwellings on 4,139 farms, or 96 percent of those bought during the year. The standards of housing represent the minimum needs for decent shelter, reasonable comfort, and sanitation.

Tenant-purchase loans made during the year included money for building 1,610 new dwellings. This number, plus the 446 new dwellings constructed during the previous year, makes 2,056 houses built under the tenant-purchase program. Most of these new dwellings were built in the South, where it was often necessary to purchase land that did not have suitable buildings.

The cost of the new dwellings averaged only $1,313. This low figure resulted from continuous efforts of the engineering staff to simplify and standardize design, and to cut costs to an absolute minimum.

Repairs on dwellings were made on 2,556 tenant-purchase farms during the year. The average cost of repairs to dwellings, barns, and outbuildings was $405.

Some loans also included money for the construction of barns, chicken houses, smokehouses, sanitary outdoor toilets, and other buildings necessary for the satisfactory operation of the farms. Such buildings were constructed on 4,146 farms at a cost averaging $487 per farm.

Funds were included in loans, when needed, to provide for land improvements such as terracing, liming, drainage, and fencing. Although the farms purchased usually have been going concerns, land improvements sometimes have been advisable in order to maintain soil fertility and protect the Government's investment. The loans provided for such improvements on 3,147 farms at an average cost of $186.

HOMESTEADS PROJECTS

Homestead projects were started by the Resettlement Administration, the Division of Subsistence Homesteads of the Department of the Interior, and other earlier agencies, to demonstrate sound principles of farm and community management, and to experiment with new developments along these lines.

Since 161 of these projects were turned over to the Farm Security Administration, they have been administered in strict accordance with the original aims. The projects are scattered through the country in nearly all States, crop areas, and climates. Some of them have been set up with scattered individual farms; some with a single large cooperative farm operated by the residents as a group; others with various combinations of these two plans. A few have industrial enterprises to supplement farm income. In some cases the houses are scattered on individual tracts, while in others they are clustered together.

Residents for the projects, now totaling about 14,000 families, have been selected from among tenants in nearby areas, from former residents on submarginal lands recently taken out of cultivation, from groups left stranded in worn-out mining and lumbering districts, and occasionally from low-income city workers with farm experience.

Every effort has been made to get a wide variety of people, economic organization, and operating methods, in order to obtain the broadest possible experience in different types of agricultural development. It is still too early to state the results of these experiments, but studies of the projects now being made by the Bureau of Agricultural Economics and other agencies should provide valuable guideposts for the future course of American agriculture.

There were few major changes in the farming and subsistence-homesteads projects during the year; their progress was, in general, satisfactory.

CAMPS FOR MIGRANT FARM WORKERS

Important developments were made, however, in another type of project—the camps set up for the use of seasonal, migratory agricultural laborers. The need for such camps has increased rapidly, and the camp program was expanded to meet it.

Two current trends in American agriculture, mechanization and rural unemployment, are swiftly changing the pattern of farm labor. This development means a new way of life for the agricultural worker, which so far does not offer stability of residence, security, adequate income, or wholesome environment.

Since 1930 hundreds of thousands of farm families have been pushed off the land. Some were ruined by drought; others fell victim to the depression and were foreclosed; thousands of tenants, croppers, and farm laborers were displaced by the introduction of new farm machinery, such as the rubber-tired tractor, the corn picker, and the potato digger.

Most of these uprooted families were forced to take to the highways in search of work. Few found work in industry; the cities were already filled with the unemployed. For the most part the jobs they found were seasonal day labor in the only trade they knew, farming.

The largest employers of these displaced rural families were the mechanized farms, which have been growing in number and extent for a decade. These farms have eliminated most of the resident labor formerly needed, but they still require large numbers of workers, for short periods, to do the hard labor involved in thinning, harvesting, or packing processes not yet fully mechanized.

While mechanization of most of these farms has resulted in increased efficiency, the decrease in labor requirements has been in terms of hours, rather than in total number of workers needed. Socially there is no advantage in this greater efficiency, unless the seasonally employed workers are able to find other jobs between seasons. So far few of them have been able to find such jobs. Under the present system, the large mechanized farm usually supports its workers only during the few weeks of their employment, and they must depend largely on relief between times. In other words, the taxpayer is subsidizing a labor supply for many of the big commercial farms.

Moreover, there has been a great surplus of farm labor, and consequent unemployment even at peak seasons. The migrant families also must travel continually from one crop area to another, as they follow the harvests. Annual incomes of $250 to $450 per family are the rule, and many families make considerably less.

As a result, extremely bad living conditions are common among most of this group of 200,000 to 350,000 families. Usually they find little or no provisions for shelter, health protection, or schooling.

Winter weather brings a sharp increase in cases of pneumonia, influenza, and other pulmonary diseases. The risk of epidemics of smallpox, typhoid, scarlet fever, and similar diseases is a year-round menace.

This problem calls for two solutions. For the surplus workers, a new and more stable employment must be found, perhaps in subsistence farming with occasional seasonal work on the big commercial farms. On the other hand, the mechanized farms need seasonal workers in large numbers. California alone has been estimated to require 170,000 seasonal laborers. If mechanized farming is not to be abandoned entirely, a large group of migrants must continue to follow the crops. For that group, a more satisfactory way of life must be found under a new pattern of employment. These people need decent shelter, better routing into areas where jobs can be found, some

chance to educate their children, and steadier employment which should result from a decrease in the labor surplus.

TYPES OF MIGRANT CAMPS

The migratory-labor camps first constructed by the Administration were intended to provide temporary shelter and a few sanitary facilities for the families following seasonal farm work.

The earliest camps usually consisted of rows of tent platforms, with a few permanent one-room shelters laid out along graveled streets at intervals of about 30 feet.

They were equipped with sanitary units—usually about 1 to each 40 tent platforms—with shower baths, sanitary flush toilets, and a laundry room. They also had an isolation unit for contagious diseases, a nursery, first-aid room, and child clinic, an office and living quarters for the camp manager, and a utility building.

The camp residents elect a campers' committee, which serves as a governing body and represents the entire camp population in its relationship with the management. Most problems of discipline and law and order within the camp are taken care of by this committee. The committee exercises no jurisdiction outside the camp limits, and all its decisions and recommendations are referred to the management for final decision.

Residents furnish their own tents, furniture, and cooking utensils, and finance part of the camp operations themselves. Each family pays 10 cents a day into a general fund, handled by the camp committee and the camp manager. All payments from the fund are made by check, and the accounts are subject to audit by Administration representatives.

Every person in the camp is expected to contribute 2 hours' work a week in return for the general use of the campground; and in case a family is not able to pay cash into the general fund, it usually is required to give 2 extra hours' work a day. The buildings and grounds are regularly inspected by the camp manager, who assigns the clean-up jobs. One of the most important of these is keeping the sanitary units clean.

MOBILE CAMPS AND LABOR HOMES

More specialized types of camps were developed during the year. For example, designs were worked out for small mobile camps, which can be moved by truck from one area to another as the migrant families follow the crops.

The more recent permanent camps also have been provided with a number of permanent homes, each with a small garden. These cottages are rented to families who can find fairly continuous employ-

ment in the neighborhood; and the gardens enable them to supplement their incomes by raising most of their own foodstuffs. This represents a beginning step towards stabilization of at least part of the army of migrant families.

At the end of the fiscal year, the Administration had in operation 1,432 tent platforms, 749 shelters, and 166 labor homes. It had under construction 1,388 tent platforms, 3,414 shelters, and 660 labor homes.

When the present program is completed, 2,906 tent platforms, 4,155 shelters, and 826 labor homes will provide camp facilities for 7,809 families at any one time. These will be divided among 26 stationary and 6 mobile camps located in 7 States—California, Oregon, Washington, Idaho, Arizona, Texas, and Florida.

These measures have been highly effective in relieving misery and in protecting both the migrants and the communities through which they pass from epidemics. They represent only a beginning, however, towards a real solution of the migrant labor problem.

MANAGEMENT OF PROPERTIES

The management and conservation of the investment of the Federal Government in the 193 homesteads projects and migrant camps, having a total value of over $125,000,000, is a continuing function of the Administration. These projects represent an approach to economic security and improving living conditions for 13,930 families on permanent farms and homesteads, and will provide camp facilities for more than 7,000 migrant agricultural families. On June 30, over 100 projects were completed and the others were nearing completion. When finished, the projects will provide homes or camp facilities for 21,804 families.

The operation of the 161 projects involves guidance to families in carrying out sound farm-management plans; in organizing and managing cooperatives; in conducting educational and community programs; in arranging for industrial development on projects needing additional family income; maintenance of physical property; and collection of payments due the Government as rent or for the purchase of farm units.

Projects now in operation fall into two groups, rural and suburban. Aside from the migratory labor camps, the rural projects range from subsistence homesteads to full-time farms. The former class, originated by the Division of Subsistence Homesteads, Department of the Interior, were set up to provide supplementary income to families working in nearby industries.

About half of the full-time farming projects consist of individual farms, located close together so that necessary educational, social, and business facilities may be used in common. The others are made

up of scattered farms. They make use of business and social facilities of the neighborhood where they are located, but usually have cooperative enterprises of their own, such as purebred-sire services.

In addition, there are three suburban housing projects known as greenbelt communities. They are located outside of Washington, D. C., Cincinnati, Ohio, and Milwaukee, Wis., and provide housing for 2,129 families in a rural setting, but within easy reach of large employment centers. Each family may have its own garden, on land included in the project area.

Maintenance and operation of projects has been a function of increasing importance. At the end of the year, $4,262,589 was due for tenure and utility charges. Of this amount, $3,772,904 had been collected. Cumulative delinquencies amounted to less than 12 percent.

Maintenance of properties is financed from reserve funds set up in part out of the rents paid by project families. To pay local governmental agencies for educational and other services supplied to the projects, 1,211 agreements in lieu of taxes were entered into on 98 projects, involving a total payment of $448,841.

In some of the subsistence homesteads communities it has been necessary to supply industries to supplement income from the land. On eight projects, there are now industries; namely, a wood dimension mill at Tygart Valley Homesteads, W. Va.; a pants factory at Westmoreland Homesteads, Pa.; a tractor assembly plant at Arthurdale, W. Va.; and hosiery mills at Bankhead Farms and Skyline Farms, Ala.; Cumberland Homesteads, Tenn.; Penderlea Farms, N. C.; and Red House Farms, W. Va.

During the year, 33 loans, amounting to $2,235,116 were made to newly organized cooperative associations in various communities. Added to loans made in previous fiscal years, this makes a total of $8,841,174 that has been loaned to cooperative associations on the projects. Cooperative associations now number 93 and have a combined membership of over 6,000. These associations make it possible for families in resettlement projects to effect substantial savings as consumers and to obtain higher prices as producers.

As rapidly as possible upon completion, community projects are being conveyed to homestead associations. The membership of these associations consists of all heads of families living on the project. The associations are operated by boards of directors made up of 3 homesteaders and 2 Farm Security Administration officials. All expenses of operation are paid by the association itself, which also transmits to the Government the payments due on each home. To date, there are 14 such associations in operation, and the cumulative delinquency on payments due is only 3.1 percent.

○